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SUBJECT: RIO DE JANEIRO POL/ECON ROUNDUP FOR SEPT-OCT 2008

SUMMARY

¶1. The following are highlights of Political/Economic activity in Rio de Janeiro's reporting district during the months of September-October 2008.

- Municipal Elections
- High Profile Murders in Rio de Janeiro
- Brazil Mining Giant Vale Posts Record Profit Despite Crisis
- Petrobras Launches First Brazilian-Built Oil Platform

MUNICIPAL ELECTIONS

¶2. On October 2008, Brazilian cities elected new Mayors. In Rio de Janeiro's consular district, the winners are:

-- Rio de Janeiro, RJ: Eduardo Paes (PMDB Party), 50.8 percent in second round run-off.

-- Belo Horizonte, MG: Marcio Lacerda (PSB Party), 59 percent in second round run-off.

-- Salvador, BA: Joco Henrique de Barradas Carneiro (PMDB Party), 58.4 percent (reelected) in second round run-off.

-- Aracaju, SE: Edvaldo Nogueira (PCdoB Party), 51.7 percent in first round.

-- Vitoria, ES: Joco Coser (PT Party), 65 percent in first round.

Around 3,500 federal military troops had been stationed in the city of Rio de Janeiro since September to supplement state authorities in countering alleged voter intimidation by drug traffickers and militias. For both rounds of voting, no major incidents were reported.

HIGH PROFILE MURDERS IN RIO DE JANEIRO

¶2. A recent wave of violence against public officials suggests that criminals are becoming more brazen in their activities. On October 16, Colonel Jose Roberto do Amaral Lourenco, warden of Bangu Prison, was killed in broad daylight in a neighborhood of western Rio de Janeiro. Officials stated that he was shot 60 times as he was driving his car. As the administrator of one of Rio's largest prisons, Lourenco regularly received multiple death threats. He was the seventh Bangu prison warden to be assassinated in eight years. Five days later on October 21, Rio de Janeiro City Councilman Alberto Salles was shot five times in his car on a major highway, also in daylight. Salles had recently reported to authorities that drug traffickers from Mundial favela in northern Rio were demanding weapons in exchange for authorization for him to campaign in their community. Just days later, wealthy supermarket magnate Artur Sendas was murdered in his home in the affluent Leblon neighborhood - several Consulate officers live within a block or two of the crime scene (note: police have arrested one of the Sendas family drivers in connection with the murder). The state public security apparatus is under fire for not ensuring the safety of its officials, and for allowing criminality to spill out from the poorer favela areas.

BRAZIL MINING GIANT VALE POSTS RECORD PROFITS DESPITE CRISIS

13. Rio-based Vale do Rio Doce (VALE), the world's largest iron ore producer and exporter, posted a record USD 6 billion net profit in the third trimester of 2008. This is a 167 percent increase over the same period last year. Because many of its holdings are outside Brazil, the ongoing global international financial crisis contributed to Vale's remarkable quarter in a positive way, partly due to the U.S. dollar's appreciation against the Brazilian real, Vale reported. The international price increases of iron ore and pellets were also a major factor. Vale's earnings per share reached USD 96 cents compared to USD 61 cents per share in same period one year ago.

PETROBRAS LAUNCHES FIRST BRAZILIAN-BUILT OIL PLATFORM

14. On October 7, Petrobras launched the first semi-submersible oil platform (P-51) built entirely in Brazil. The platform cost USD 1 billion and is scheduled to operate in the Marlim Sul field in the Campos Basin. According to Petrobras, when the platform reaches its peak operating capacity of 180,000 barrels of oil and 6,000,000 cubic meters of gas per day in 2010, the P-51 will account for 8 percent of the domestic oil production. The P-51 is one of the federal government's Growth Acceleration Program (PAC) projects. The construction work generated approximately 4,000 direct and 12,000 indirect jobs, contributing both to the growth of the domestic industry and to increase the volume of jobs in the country.

MARTINEZ